

## Navigating the waters of Asian cruises

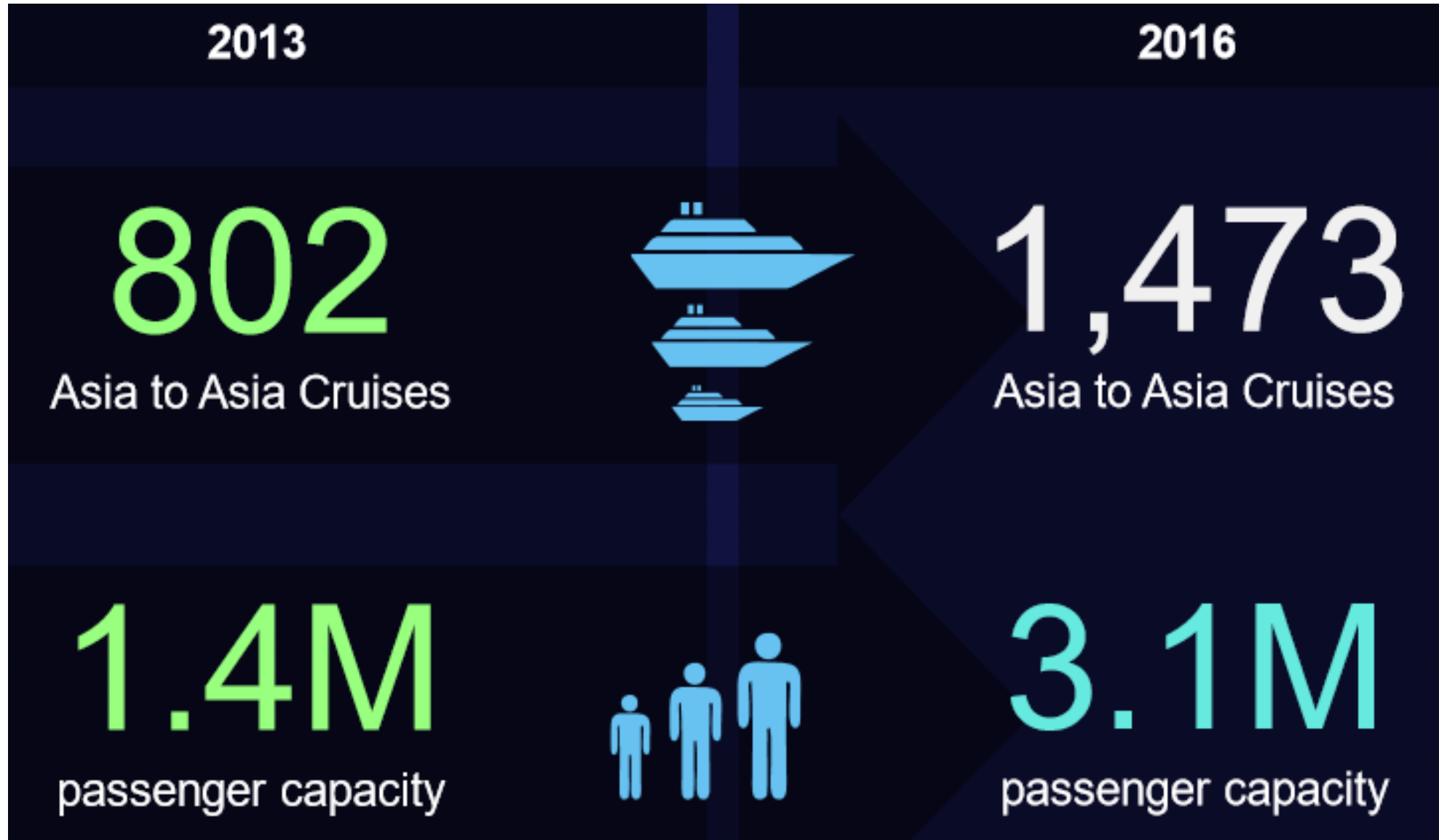
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Prepared for:



# In the past 3 years, the number of Asian Cruise passengers has doubled

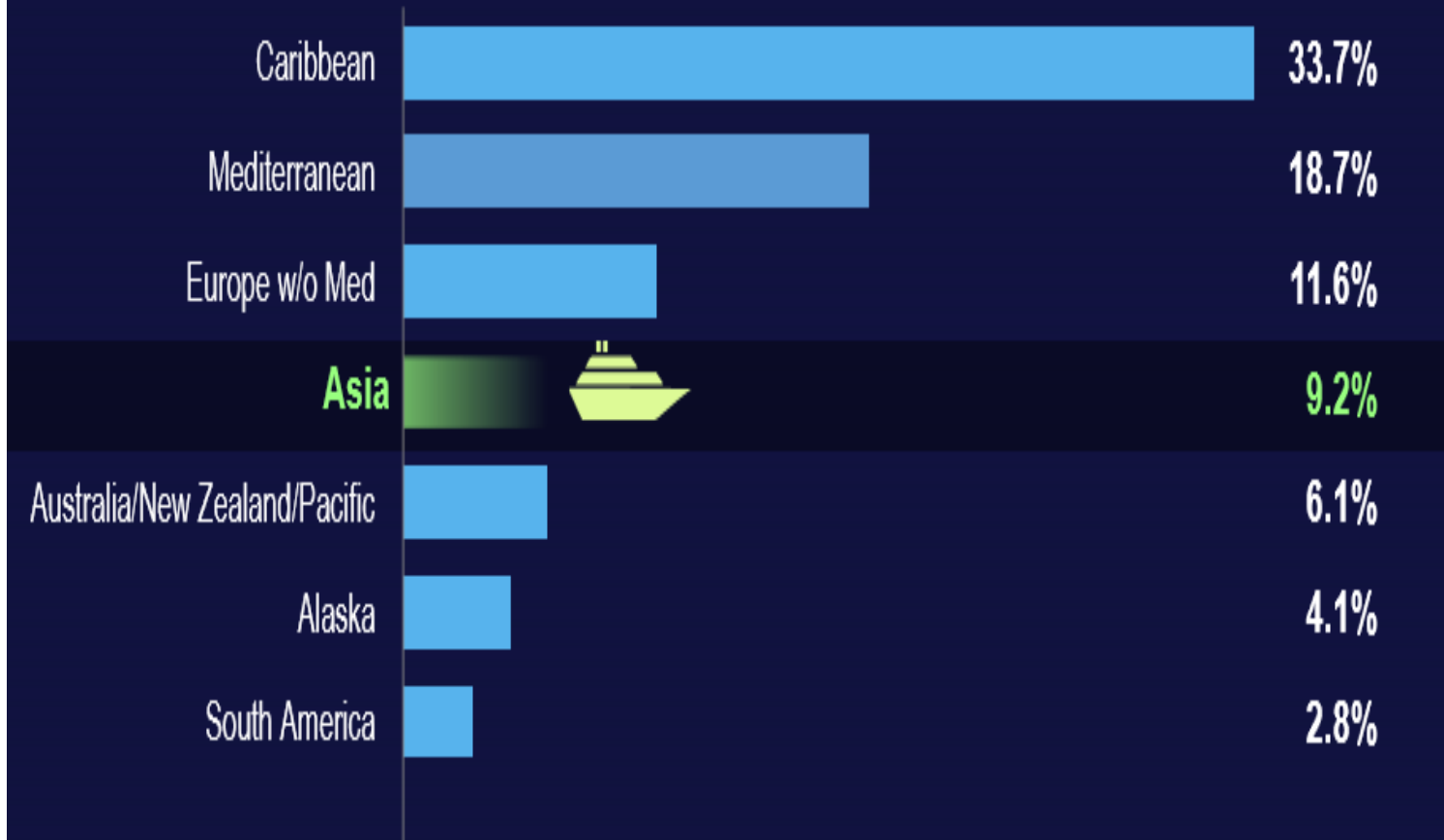


Source: Cruise Lines International Association (CLIA)

# If Asian cruising maintains its growth trajectory, it will be the number 2 cruise region by 2020.

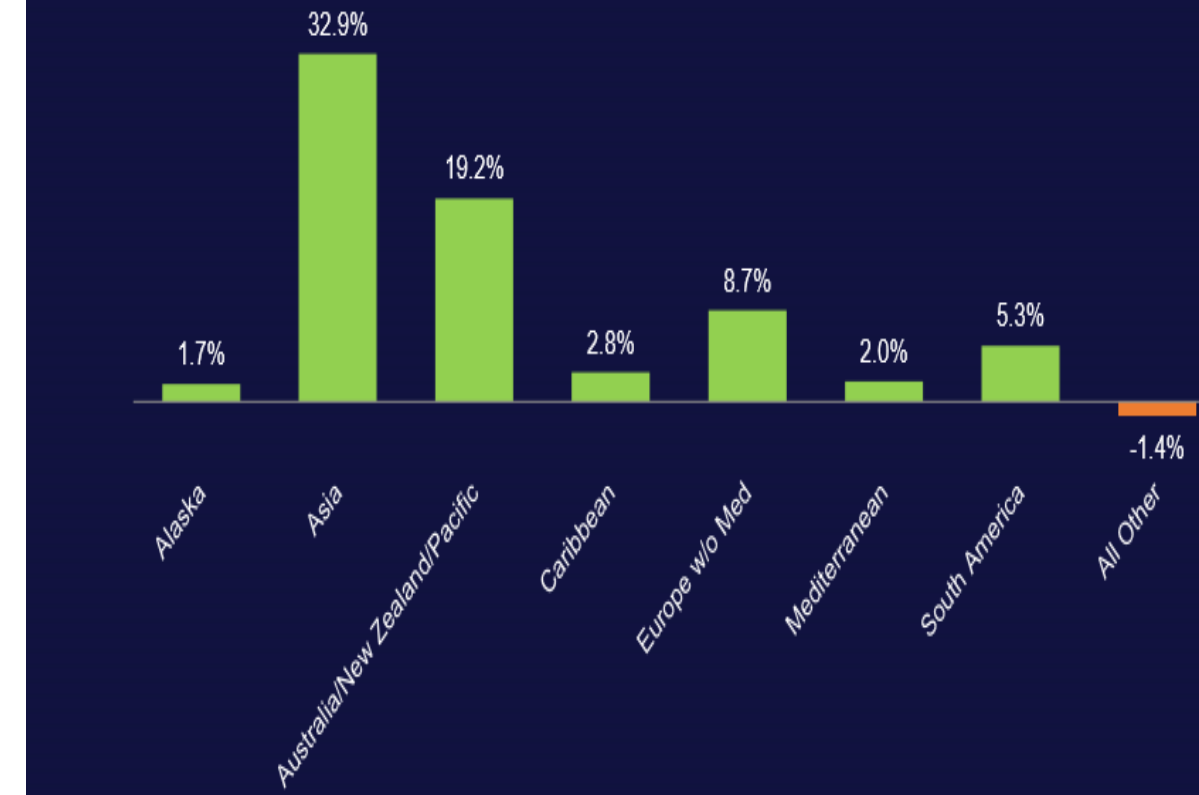
## Cruise Capacity Share by Region

2016\*



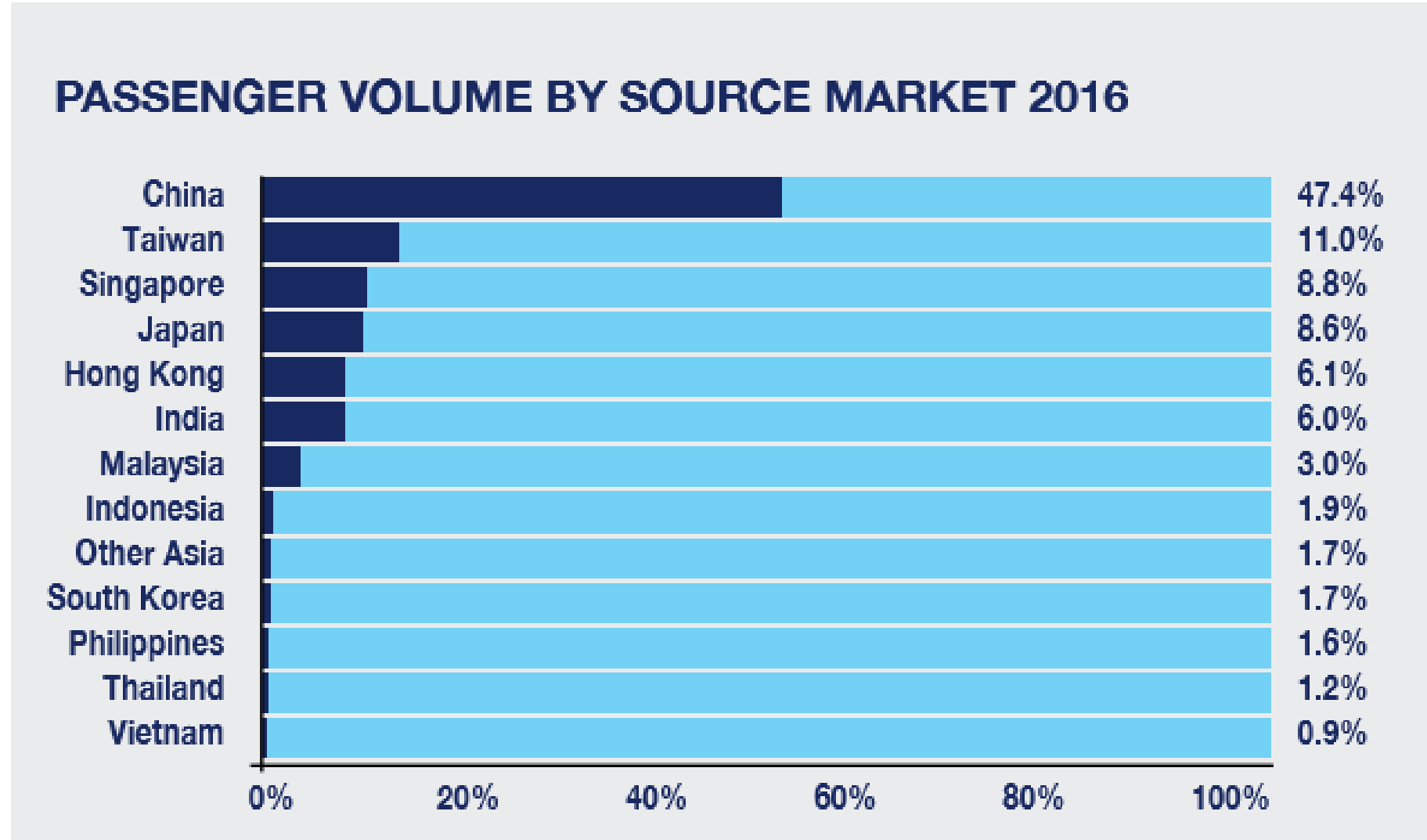
Source: Cruise Lines International Association (CLIA)

## Capacity Share Changes by Region (Percentage Point Change/ALBDs\* 2015 vs 2016)



# Chinese already account for half of Asian cruisers, and are predicted to grow from 1M passengers to 5.4M in 2020.

- Chinese already accounted for half (47%) of all Asian passengers in 2016.
- The Chinese Ministry of Tourism predicts Chinese cruise passengers to increase from 1 millions passengers in 2015 to 5.4 million in 2020.
- Coastal cities in China are racing to build and expand their ports.
  - In 2014, four Chinese ports dominated – Shanghai, Tianjin, Xiamen and Sanya.
  - Eight other ports in China are aiming to establish and build their cruise traffic – Dalian, Yantai, Qingdao, Zhoushan, Guangzhou, Shenzhen, Beihai, and Haikou.



Source: Cruise Lines International Association (CLIA)

# How well placed is travel retail to benefit from this growth in Asian cruising?





# How are we answering these questions about cruising?

## On-board sleuthing

December 2016 – January 2017



Two senior consultants on-board to develop a point of view about travel retail in the context of cruising.

- Formal and informal passenger interviews
- Observation of shopping behaviour
- Participation in activities (onshore + on-board)
- Interviews with cruise line staff

Two cruises with predominantly Chinese passengers:

- 5 day: China -> Korea -> Japan -> China
- 3 day: China -> Korea -> China



## Survey 1200 cruise passengers

April – May 2017



Survey a large representative sample of Asian cruise passengers on the important questions arising from the on-board sleuthing.

**Today's session is an opportunity for TFWA members to have a say in what is covered in the survey.**

# Could cruising's uniqueness be the key to maximizing travel retail growth?

- Asian cruising as an industry is in good shape, and such strong growth in passenger numbers, will likely naturally increase cruise travel retail sales in Asia.
- Cruise ≠ any of the other retail environments that travellers are exposed to.
- Over the next 7 slides, I will take you through the opportunities identified from our on-board sleuthing, and the questions we plan to test with a large representative sample in the next stage of this project.



# Does novelty of cruising hinder on-board shopping?

- There appears to be a much greater level of novelty and excitement among Chinese than for people who are used to being around the ocean.
  - Many Chinese have never swum or been near water.
  - And, most are on a cruise, and on any type of ship, for the first time.
- Most passengers we interviewed had no preconceived notions about what to expect from retail on-board.
- On-board shoppers spent significant time price checking items, and most deferred their on-board purchases until after shore visits.





# A ripe venue for on-board events, activities and education?

Right from the outset of the cruise, and throughout the whole journey, Asian passengers danced and participated in the entertainment run by cruise staff.

Special events hosted by brands that enable product testing, education from content/product experts, and access to exclusive products will likely also generate interest among Chinese passengers.





# 3+ days to engage with potential buyers: currently a missed opportunity?

- The time available on-board is unique compared to any other location where travellers are exposed to brands.
- On cruises, brands can, and likely should, aim for more intimacy with shoppers than usual. Cruises may be THE BEST retail environment for BAs and product knowledge experts.
- Currently, cruise retail does little to convince passengers to spend more time in-store, to consider new brands/product or to revisit stores throughout the journey.
- Store staff tend to be order takers and informers of price/promotions.
  - There is very little brand, product or category expertise among sales staff.



# Children – an opportunity missed?

- Cruising is considered the ideal form of travel for multi-generational travel – grandparents, parents and children all travelling together.
- Cruising is safe, stress free, and relaxing when compared with air travel.



- Parents and grandparents are likely to respond well to, and be interested in buying products from brands that will:
  - Spoil their children/grandchildren, or
  - Engage them during the cruise.
- The two cruises we were on provided little opportunity to buy for children.



# What potential is there for gift items at accessible prices?

**“We are all so connected these days, everyone knows I’m away, so some gifts are needed. Cheap, easy and different products are best.”**

- Accessibly priced accessories (that aren’t made in China) are in demand by passengers, but tend to be lacking in on-board retail.
- To satisfy the need for gifting, passengers resorted to buying multi-packs (face masks, hand creams, etc.) that they split up and distributed to multiple people as gifts.





# Value in highlighting popularity of products?

- “The latest bags from X are not in this store”

= negative perception of the whole fashion offering in the store

When, in fact, these items were new items, just not available in China!

- Chinese shoppers respond positively to popularity indicators on product such as:

“#1 most searched items on Baidu”

Links to popular blogs will likely also be effective (Little Red Book, etc.)

# Potential to capture on-shore spend and increase spend on-board?



Many passengers have potential to spend more, which is an opportunity for on-board retail, and one that doesn't seem to be fully taken advantage of.

Onshore shopping is insufficient, rushed, and tiring.



# Next Steps

- The following hypotheses and insights generated from the on-board sleuthing will be tested with a larger, representative sample of Asian cruise passengers:
  1. Does novelty of cruising hinder on-board shopping?
  2. Are cruises a ripe venue for on-board events, activities and education?
  3. What can brands do with 3+ days to engage with a potential buyer?
  4. Does the significant role of children on Asian cruises deserve retail attention?
  5. Are there opportunities for brands offering gift items at accessible prices?
  6. Is there value in highlighting the popularity of products?
  7. What potential is there to capture on-shore spend and increase spend on-board?

# Next Steps

- The survey with passengers will also assess how cruise passengers stack up against air travellers, in terms of their shopping behaviour and motivations.
- Horizon's syndicated research program TRACS has been providing a comprehensive look at the shopping behaviour and motivations of air travellers from 38 different nationalities for most of this decade.
- Final (Stage 2) results expected by June 2017.



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# Thank you!

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